

**BURGAN BANK GROUP**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 SEPTEMBER 2011 (UNAUDITED)**



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## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF BURGAN BANK S.A.K.**

### **Report on the Interim Condensed Consolidated Financial Information**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Burgan Bank S.A.K. (the "Bank") and its subsidiaries (collectively the "Group") as at 30 September 2011, and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the three month and nine month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the nine month period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

#### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

### **Report on other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we are not aware of any material violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Bank during the period ended 30 September 2011 that might have had a material effect on the business of the Bank or on its financial position.

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF BURGAN BANK S.A.K.**  
(continued)

**Report on other Legal and Regulatory Requirements (continued)**

We further report that, during the course of our review, to the best of our knowledge and belief, we are not aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the nine month period ended 30 September 2011.



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WALEED A. AL OSAIMI  
LICENCE NO. 68 A  
OF ERNST & YOUNG



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BADER A. AL WAZZAN  
LICENCE NO. 62 A  
DELOITTE & TOUCHE  
AL-FAHAD, AL-WAZZAN & CO.

13 October 2011  
Kuwait


# Burgan Bank Group

## Interim Condensed Consolidated Statement of Financial Position

As at 30 September 2011 (Unaudited)

		30 September 2011	(Audited) 31 December 2010	30 September 2010
	Notes	KD 000's	KD 000's (Restated)	KD 000's (Restated)
<b>ASSETS</b>				
Cash and cash equivalents	3	555,990	624,939	489,908
Treasury bills and bonds with CBK and others		427,220	466,969	418,107
Due from banks and other financial institutions		679,673	485,659	686,752
Loans and advances to customers		2,193,887	2,135,789	2,123,888
Investment securities		137,045	132,578	135,995
Other assets		74,820	71,281	93,424
Property and equipment		48,675	49,375	45,352
Intangible assets	4	172,316	180,871	184,971
<b>TOTAL ASSETS</b>		<b>4,289,626</b>	<b>4,147,461</b>	<b>4,178,397</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		340,219	303,287	356,525
Due to other financial institutions		539,319	508,205	505,723
Deposits from customers		2,608,365	2,564,826	2,570,763
Other borrowed funds	5	106,697	109,075	111,791
Other liabilities	6	136,710	123,444	99,831
<b>TOTAL LIABILITIES</b>		<b>3,731,310</b>	<b>3,608,837</b>	<b>3,644,633</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	7	147,140	140,133	140,133
Share premium		129,559	129,559	129,559
Treasury shares	7	(28,270)	(16,401)	(16,401)
Statutory reserve		40,365	40,365	39,872
Voluntary reserve		40,743	40,743	40,250
Treasury shares reserve		36,551	36,567	36,840
Investments revaluation reserve		5,968	8,732	8,975
Share based compensation reserve		560	549	276
Foreign currency translation reserve		(4,073)	2,183	6,228
Other reserves		533	533	533
Retained earnings		71,846	37,464	30,201
Equity attributable to the equity holders of the Bank		440,922	420,427	416,466
Non controlling interests		117,394	118,197	117,298
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>558,316</b>	<b>538,624</b>	<b>533,764</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,289,626</b>	<b>4,147,461</b>	<b>4,178,397</b>

  
Khalid Al Zouman  
Chief Financial Officer

  
Majed Essa Al Ajeel  
Chairman

  
Eduardo Eguren Linsen  
Chief Executive Officer

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.

# Burgan Bank Group

## Interim Condensed Consolidated Income Statement

Period ended 30 September 2011 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2011 KD 000's	2010 KD 000's (Restated)	2011 KD 000's	2010 KD 000's (Restated)
Interest income		42,059	42,899	126,929	127,768
Interest expense		(15,294)	(15,160)	(45,852)	(49,978)
<b>Net interest income</b>		<b>26,765</b>	<b>27,739</b>	<b>81,077</b>	<b>77,790</b>
Fee and commission income		10,013	8,577	31,417	25,030
Fee and commission expense		(616)	(137)	(2,199)	(1,109)
<b>Net fee and commission income</b>		<b>9,397</b>	<b>8,440</b>	<b>29,218</b>	<b>23,921</b>
Net gain from foreign currencies		1,998	2,148	6,276	5,485
Net investment income		4,319	205	4,255	10,367
Dividend income		132	197	1,320	1,748
Other income		889	1,249	2,819	3,308
<b>Operating income</b>		<b>43,500</b>	<b>39,978</b>	<b>124,965</b>	<b>122,619</b>
Staff expenses		(6,949)	(6,458)	(20,855)	(19,058)
Other expenses		(7,951)	(8,181)	(25,398)	(25,072)
<b>Operating profit before provision</b>		<b>28,600</b>	<b>25,339</b>	<b>78,712</b>	<b>78,489</b>
Provision for impairment of loans and advances		(4,382)	(14,907)	(16,209)	(66,018)
(Provision for) write back of impairment of investment securities		(2,173)	43	(4,053)	760
<b>Profit before taxation</b>		<b>22,045</b>	<b>10,475</b>	<b>58,450</b>	<b>13,231</b>
Taxation	8	(3,180)	(3,244)	(9,791)	(8,994)
<b>Profit for the period</b>		<b>18,865</b>	<b>7,231</b>	<b>48,659</b>	<b>4,237</b>
<b>Attributable to:</b>					
Equity holders of the Bank		16,112	3,639	41,389	(3,594)
Non controlling interests		2,753	3,592	7,270	7,831
		<b>18,865</b>	<b>7,231</b>	<b>48,659</b>	<b>4,237</b>
		Fils	Fils	Fils	Fils
<b>Basic and diluted earnings (loss) per share - attributable to the equity holders of the Bank</b>	9	<b>11.3</b>	<b>2.5</b>	<b>28.8</b>	<b>(2.7)</b>

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.

## Burgan Bank Group

### Interim Condensed Consolidated Statement of Comprehensive Income

Period ended 30 September 2011 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
		<i>(Restated)</i>		<i>(Restated)</i>
<b>Profit for the period</b>	<b>18,865</b>	7,231	<b>48,659</b>	4,237
<b>Other comprehensive income (loss)</b>				
Financial assets available for sale:				
Net fair value (loss) gain	(2,136)	4,139	(4,426)	1,007
Net transfer to income statement	(956)	(2,749)	665	(4,108)
Foreign currency translation adjustment	(420)	(8,171)	(9,114)	(6,467)
<b>Other comprehensive loss for the period</b>	<b>(3,512)</b>	(6,781)	<b>(12,875)</b>	(9,568)
<b>Total comprehensive income (loss) for the period</b>	<b>15,353</b>	450	<b>35,784</b>	(5,331)
<b>Attributable to:</b>				
Equity holders of the Bank	13,607	(589)	32,369	(11,513)
Non controlling interests	1,746	1,039	3,415	6,182
	<b>15,353</b>	450	<b>35,784</b>	(5,331)

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.

## Burgan Bank Group

### Interim Condensed Consolidated Statement of Changes in Equity Period ended 30 September 2011 (Unaudited)

	Attributable to the equity holders of the Bank													
	Share capital KD 000's	Share premium KD 000's	Treasury shares KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Treasury shares reserve KD 000's	Investment revaluation reserve KD 000's	Share based compensation reserve KD 000's	Foreign currency translation reserve KD 000's	Other reserves KD 000's	Retained earnings KD 000's	Total KD 000's	Non controlling interests KD 000's	Total equity KD 000's
Balance at 1 January 2011 (as previously reported)	140,133	129,559	(16,401)	40,365	40,743	36,567	8,732	549	1,957	4,739	37,464	424,407	116,738	541,145
Effect of purchase price allocation of TIB (note 4)	-	-	-	-	-	-	-	-	226	(4,206)	-	(3,980)	1,459	(2,521)
Balance at 1 January 2011 (Restated)	140,133	129,559	(16,401)	40,365	40,743	36,567	8,732	549	2,183	533	37,464	420,427	118,197	538,624
Profit for the period	-	-	-	-	-	-	-	-	-	-	41,389	41,389	7,270	48,659
Other comprehensive loss for the period	-	-	-	-	-	-	(2,764)	-	(6,256)	-	-	(9,020)	(3,855)	(12,875)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(2,764)	-	(6,256)	-	41,389	32,369	3,415	35,784
Bonus shares issued (note 7)	7,007	-	-	-	-	-	-	-	-	-	(7,007)	-	-	-
Cash dividend paid to non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(4,218)	(4,218)
Purchase of treasury shares	-	-	(11,911)	-	-	-	-	-	-	-	-	(11,911)	-	(11,911)
Sale of treasury shares	-	-	42	-	-	(16)	-	-	-	-	-	26	-	26
Share based compensation expense	-	-	-	-	-	-	-	11	-	-	-	11	-	11
<b>Balance as at 30 September 2011</b>	<b>147,140</b>	<b>129,559</b>	<b>(28,270)</b>	<b>40,365</b>	<b>40,743</b>	<b>36,551</b>	<b>5,968</b>	<b>560</b>	<b>(4,073)</b>	<b>533</b>	<b>71,846</b>	<b>440,922</b>	<b>117,394</b>	<b>558,316</b>

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.

## Burgan Bank Group

### Interim Condensed Consolidated Statement of Changes in Equity Period ended 30 September 2011 (Unaudited)

	Attributable to the equity holders of the Bank													
	Share capital KD 000's	Share premium KD 000's	Treasury shares KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Treasury shares reserve KD 000's	Investment revaluation reserve KD 000's	Share based compensation reserve KD 000's	Foreign currency translation reserve KD 000's	Other reserves KD 000's	Retained earnings KD 000's	Total KD 000's	Non controlling interests KD 000's	Total equity KD 000's
Balance at 1 January 2010	104,133	64,759	(18,290)	39,872	40,250	37,296	12,447	538	10,675	-	33,795	325,475	110,586	436,061
(Loss) profit for the period (Restated)	-	-	-	-	-	-	-	-	-	-	(3,594)	(3,594)	7,831	4,237
Other comprehensive loss for the period (Restated)	-	-	-	-	-	-	(3,472)	-	(4,447)	-	-	(7,919)	(1,649)	(9,568)
Total comprehensive (loss) income for the period (Restated)	-	-	-	-	-	-	(3,472)	-	(4,447)	-	(3,594)	(11,513)	6,182	(5,331)
Share capital increase	36,000	64,800	-	-	-	-	-	-	-	-	-	100,800	-	100,800
Cash dividend paid to non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(3,953)	(3,953)
Purchase of non controlling interests	-	-	-	-	-	(729)	-	-	-	533	-	533	(19,835)	(19,302)
Sale of treasury shares	-	-	1,889	-	-	-	-	11	-	-	-	1,171	-	1,171
Transfer from share based compensation reserve	-	-	-	-	-	273	-	(273)	-	-	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	24,423	24,423
Net movement in non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(105)	(105)
Balance as at 30 September 2010 (Restated)	140,133	129,559	(16,401)	39,872	40,250	36,840	8,975	276	6,228	533	30,201	416,466	117,298	533,764

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.

# Burgan Bank Group

## Interim Condensed Consolidated Statement of Cash Flows Period ended 30 September 2011 (Unaudited)

	Note	Nine months ended 30 September	
		2011 KD 000's	2010 KD 000's (Restated)
<b>Operating activities</b>			
Profit before taxation		58,450	13,231
Adjustments:			
Net investment income		(4,255)	(10,367)
Provision for impairment of loans and advances		16,209	66,018
Provision for impairment of (write back of) investment securities		4,053	(760)
Dividend income		(1,320)	(1,748)
Depreciation and amortisation		8,527	7,820
Share based compensation expense		11	11
<b>Operating profit before changes in operating assets and liabilities</b>		<b>81,675</b>	<b>74,205</b>
Changes in operating assets and liabilities:			
Treasury bills and bonds with CBK and others		39,749	49,251
Due from banks and other financial institutions		(202,912)	(27,400)
Loans and advances to customers		(65,409)	80,398
Other assets		(3,539)	(3,699)
Due to banks		36,932	29,311
Due to other financial institutions		31,114	(195,643)
Deposits from customers		43,539	(77,374)
Other liabilities		10,903	(61,531)
Taxation paid		(7,428)	(277)
<b>Net cash used in operating activities</b>		<b>(35,376)</b>	<b>(132,759)</b>
<b>Investing activities</b>			
Purchase of investment securities		(36,077)	(4,392)
Proceeds from sale of investment securities		28,051	22,842
Purchase of property and equipment, net of disposals		(3,152)	(7,353)
Dividends received		1,320	1,748
Acquisition of subsidiaries, net of cash acquired		-	92,697
<b>Net cash (used in) from investing activities</b>		<b>(9,858)</b>	<b>105,542</b>
<b>Financing activities</b>			
Other borrowed funds		(2,378)	(11,231)
Proceeds from share capital increase		-	100,800
Purchase of treasury shares		(11,911)	-
Sale of treasury shares		26	1,160
Cash dividend paid to non controlling interests		(4,218)	(3,953)
Other movement in non controlling interests		-	(105)
<b>Net cash (used in) from financing activities</b>		<b>(18,481)</b>	<b>86,671</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(63,715)</b>	<b>59,454</b>
Effect of foreign currency translation		(5,234)	(3,900)
Cash and cash equivalents at 1 January		624,939	434,354
<b>Cash and cash equivalents at 30 September</b>	3	<b>555,990</b>	<b>489,908</b>
<b>Additional cash flow information:</b>			
Interest received		126,323	135,791
Interest paid		49,495	64,735

The attached notes 1 to 13 form an integral part of this interim condensed consolidated financial information.

## **Burgan Bank Group**

### **Notes to the Interim Condensed Consolidated Financial Information**

**As at 30 September 2011 (Unaudited)**

#### **1. INCORPORATION AND REGISTRATION**

Burgan Bank S.A.K. (the "Bank") is a public shareholding company incorporated in the State of Kuwait by Amiri Decree dated 27 December 1975 listed on the Kuwait Stock Exchange and is registered as a Bank with the Central Bank of Kuwait ("CBK"). The Bank's registered address is P.O. Box 5389, Safat 12170, State of Kuwait.

The interim condensed consolidated financial information of the Bank and its subsidiaries (collectively "the Group") for the period ended 30 September 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 13 October 2011.

The principal activities of the Group are explained in note 10.

The Bank is a subsidiary of Kuwait Projects Company Holding K.S.C. (the "Parent Company").

#### **2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

The interim condensed consolidated financial information of the Group have been prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting except as noted below. The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2010, except for the following revised Standards effective for annual periods beginning on or after 1 January 2011:

##### *IAS 24 Related party disclosures*

The revised Standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The adoption of this revised standard does not have any impact on interim condensed consolidated financial information.

##### *IAS 34 Interim Financial Reporting*

Improvement to IAS 34 introduces the concept of "Significant events and transactions" and has brought in additional disclosures for changes in business and economic circumstances, transfers between levels of the fair value hierarchy used and changes in the classification of financial assets resulting from change in the purpose or use of those assets. Adoption of this improvement did not have any material impact on the financial position or performance of the Group.

Additionally, the following new IFRS have been issued in May 2011 and are effective for annual periods beginning on or after 1 January 2013:

##### *IFRS 10 Consolidated Financial Statements*

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.

##### *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

**2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)***IFRS 13 Fair Value Measurement*

IFRS 13 Fair Value Measurement replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

The application of the above standards is not expected to have a material impact on the financial position or performance of the Group as and when they become effective or early adopted.

The annual consolidated financial statements for the year ended 31 December 2010 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all International Financial Reporting Standards ("IFRS") except for the IAS 39: Financial instruments: Recognition and Measurement ("IAS 39") requirement for collective provision, which has been replaced by the CBK's requirement for a minimum general provision.

The interim condensed consolidated financial information do not contain all information and disclosures required for full consolidated financial statements prepared in accordance with IFRS, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2010. Further, results for the nine months ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

**3. CASH AND CASH EQUIVALENTS**

	<i>30 September</i> <i>2011</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD 000's</i>	<i>30 September</i> <i>2010</i> <i>KD 000's</i>
Cash in hand and in current account with banks & other financial institutions (OFI's)	193,463	124,964	120,055
Balances with the CBK	1,280	907	13,487
Due from banks and OFI's maturing within thirty days	361,247	499,068	356,366
	<u>555,990</u>	<u>624,939</u>	<u>489,908</u>

**4. INTANGIBLE ASSETS**

During the current period, the Bank has completed the PPA exercise for Bank of Baghdad P.J.S.C ("BoB") and there has been no change in the identifiable tangible and intangible assets as compared to the provisional PPA exercise performed as at 31 December 2010.

In addition, during the current period, the Bank completed the PPA exercise for TIB and allocated a portion of the provisional goodwill to various identifiable intangible assets and accounted the residual value as goodwill. Goodwill represents the future economic benefits arising from other assets acquired in the business combination that are not individually identified and separately recognised.

Intangible assets identified as a result of PPA exercise for TIB were banking license KD 11,526 thousand and core customer deposits KD 75 thousand. The fair value of other assets and liabilities acquired, do not materially differ from their provisionally determined fair values.

**Burgan Bank Group****Notes to the Interim Condensed Consolidated Financial Information****As at 30 September 2011 (Unaudited)****4. INTANGIBLE ASSETS (continued)**

Accordingly, the 30 September 2010 and 31 December 2010 comparative information has been restated to reflect these adjustments as stated below.

	<i>Intangible assets</i>			<i>Non controlling interests</i> <i>KD 000's</i>
	<i>Goodwill</i> <i>KD 000's</i>	<i>Other intangible assets</i> <i>KD 000's</i>	<i>Total intangible assets</i> <i>KD 000's</i>	
At 30 September 2010 (As originally stated)	107,641	74,466	182,107	109,895
PPA and amortisation adjustment	(20,551)	23,415	2,864	7,403
At 30 September 2010 ( <i>Restated</i> )	<u>87,090</u>	<u>97,881</u>	<u>184,971</u>	<u>117,298</u>

	<i>Intangible assets</i>			<i>Non controlling interests</i> <i>KD 000's</i>
	<i>Goodwill</i> <i>KD 000's</i>	<i>Other intangible assets</i> <i>KD 000's</i>	<i>Total intangible assets</i> <i>KD 000's</i>	
At 31 December 2010 (As originally stated)	99,543	83,776	183,319	116,738
PPA and amortisation adjustment	(13,606)	11,158	(2,448)	1,459
At 31 December 2010 ( <i>Restated</i> )	<u>85,937</u>	<u>94,934</u>	<u>180,871</u>	<u>118,197</u>

The amortisation has been included in other expenses in the interim condensed consolidated financial information.

**5. OTHER BORROWED FUNDS**

	<i>Effective interest rate</i>	<i>(Audited)</i>		<i>30 September 2010</i> <i>KD 000's</i>
		<i>30 September 2011</i> <i>KD 000's</i>	<i>31 December 2010</i> <i>KD 000's</i>	
Subordinated notes	8.125%	106,697	108,538	111,247
Other borrowing – subsidiary	-	-	537	544
		<u>106,697</u>	<u>109,075</u>	<u>111,791</u>

**6. OTHER LIABILITIES**

	<i>(Audited)</i>		<i>30 September 2010</i> <i>KD 000's</i>
	<i>30 September 2011</i> <i>KD 000's</i>	<i>31 December 2010</i> <i>KD 000's</i>	
Accrued interest payable	15,090	18,733	15,626
Staff benefits	8,975	8,371	7,966
Provision for non - cash credit facilities	20,164	21,500	18,949
Sundry creditors - subsidiaries	11,633	8,302	10,061
Other balances	80,848	66,538	47,229
	<u>136,710</u>	<u>123,444</u>	<u>99,831</u>

**Burgan Bank Group****Notes to the Interim Condensed Consolidated Financial Information**

As at 30 September 2011 (Unaudited)

**7. SHAREHOLDERS' EQUITY**

- a) The authorised, issued and fully paid up share capital of the Bank comprises 1,471,397,310 shares (31 December 2010: 1,401,330,766 shares and 30 September 2010: 1,401,330,766 shares) of 100 fils each.
- b) Treasury shares

	<i>30 September</i> <i>2011</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD 000's</i>	<i>30 September</i> <i>2010</i> <i>KD 000's</i>
Number of shares held	<b>52,355,733</b>	26,515,301	26,515,301
Percentage of shares held	<b>3.56%</b>	1.89%	1.89%
Market value - KD 000's	<b>24,607</b>	13,788	12,462

- c) Bonus shares

At the annual general meeting of the shareholders held on 15 March 2011, 5% bonus shares (2010: nil) for the year ended 31 December 2010 was approved and issued. This resulted in an increase in the number of authorised and issued shares by 70,066,544 shares and share capital by KD 7,007 thousand.

**8. TAXATION**

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2011</i> <i>KD 000's</i>	<i>2010</i> <i>KD 000's</i>	<i>2011</i> <i>KD 000's</i>	<i>2010</i> <i>KD 000's</i>
National Labour Support Tax	421	-	1,081	-
Contribution to the Kuwait Foundation for the Advancement of Science	152	-	390	-
Zakat	168	-	423	-
Taxation arising from overseas subsidiary companies	<b>2,439</b>	3,244	<b>7,897</b>	8,994
	<b>3,180</b>	3,244	<b>9,791</b>	8,994

**Burgan Bank Group****Notes to the Interim Condensed Consolidated Financial Information****As at 30 September 2011 (Unaudited)****9. EARNINGS (LOSS) PER SHARE**

Basic and diluted earnings (loss) per share is computed by dividing the profit (loss) for the period attributable to equity holders of the Bank by the weighted average number of shares outstanding during the period less treasury shares.

The computation of basic and diluted earnings (loss) per share is as follows:

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2011</i> <i>KD 000's</i>	<i>2010</i> <i>KD 000's</i> <i>(Restated)</i>	<i>2011</i> <i>KD 000's</i>	<i>2010</i> <i>KD 000's</i> <i>(Restated)</i>
Profit (loss) for the period attributable to equity holders of the Bank	<u>16,112</u>	<u>3,639</u>	<u>41,389</u>	<u>(3,594)</u>
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares, net of treasury shares	<u>1,431,285,859</u>	<u>1,443,546,810</u>	<u>1,437,190,113</u>	<u>1,321,608,901</u>
Basic and diluted earnings (loss) per share (fils)	<u>11.3</u>	<u>2.5</u>	<u>28.8</u>	<u>(2.7)</u>

Basic and diluted earnings (loss) per share for the comparative period presented has been restated to reflect the effect of bonus shares issued on 15 March 2011 (note 7).

**10. SEGMENT INFORMATION**

For management purposes, the Group organises its operations by geographic territory in the first instance, primarily Kuwait and International. All operations outside Kuwait are classified as International. Within its Kuwait operations, the Group is organised into the following business segments.

- Banking: incorporating private customer current account, business current and savings accounts, deposits, investment products, credit and debit cards, consumer and housing loans, overdrafts, commercial loans and other credit facilities
- Treasury and investment banking: incorporating money market, foreign exchange, Treasury bills and bonds and Central bank bonds, investments and fund management.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment result after provisions which in certain respects are measured differently from operating profit or loss in the interim condensed consolidated financial information.

**Burgan Bank Group****Notes to the Interim Condensed Consolidated Financial Information**

As at 30 September 2011 (Unaudited)

**10. SEGMENT INFORMATION (continued)**

The table below presents income and results and certain assets and liabilities information regarding the Group's operating segments.

	<i>Kuwait Operations</i>			<i>International</i>	<i>Group</i>
	<i>Banking</i> <i>KD 000's</i>	<i>banking</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>	<i>Operations</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
<b>30 September 2011</b>					
Net interest income	37,880	7,786	45,666	35,411	81,077
Segment operating income	51,566	12,697	64,263	60,702	124,965
Depreciation and amortisation expenses	(1,735)	(254)	(1,989)	(6,538)	(8,527)
Segment result before provisions	42,557	11,375	53,932	35,804	89,736
Provision for impairment of loans and advances	(4,999)	(1,980)	(6,979)	(9,230)	(16,209)
(Provision for) write back of impairment of investment securities	-	(4,548)	(4,548)	495	(4,053)
Segment result after provisions	37,558	4,847	42,405	27,069	69,474
Unallocated expenses			(11,024)	-	(11,024)
Profit for the period before taxation			31,381	27,069	58,450
Total assets	1,609,329	1,108,969	2,718,298	1,571,328	4,289,626
Total liabilities	1,117,627	1,491,731	2,609,358	1,121,952	3,731,310
Intangible assets	-	-	-	172,316	172,316

**Burgan Bank Group****Notes to the Interim Condensed Consolidated Financial Information**

As at 30 September 2011 (Unaudited)

**10. SEGMENT INFORMATION (continued)**

	<i>Kuwait Operations</i>			<i>International</i>	<i>Group</i>
	<i>Banking</i>	<i>Treasury and</i>	<i>Total</i>	<i>Operations</i>	<i>Total</i>
	<i>KD 000's</i>	<i>banking</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
		<i>investment</i>	<i>KD 000's</i>		
		<i>KD 000's</i>			
<i>30 September 2010</i>					
Net interest income	42,412	1,609	44,021	33,769	77,790
Segment operating income	54,406	16,347	70,753	51,866	122,619
Depreciation and amortisation expenses	1,458	235	1,693	6,127	7,820
Segment result before provisions	45,637	14,957	60,594	29,668	90,262
(Provision for) write back of impairment of loans and advances	(67,507)	6,587	(60,920)	(5,098)	(66,018)
(Provision for) write back of impairment of investment securities	-	(426)	(426)	1,186	760
Segment result after provisions	(21,870)	21,118	(752)	25,756	25,004
Unallocated expenses			(11,773)	-	(11,773)
Profit for the period before taxation			(12,525)	25,756	13,231
Total assets	1,603,299	1,077,300	2,680,599	1,497,798	4,178,397
Total liabilities	1,176,598	1,410,766	2,587,364	1,057,269	3,644,633
Intangible assets	-	-	-	184,971	184,971

**Burgan Bank Group****Notes to the Interim Condensed Consolidated Financial Information**

As at 30 September 2011 (Unaudited)

**11. TRANSACTIONS WITH RELATED PARTIES**

The Group has entered into transactions with certain related parties (Parent Company, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties) who were customers of the Group during the period. The 'Others' column in the table below mainly represent transactions with entities that are either controlled or significantly influenced by the Parent Company. The terms of these transactions are approved by the Group's management. The balances and transactions are as follows:

	<i>Parent Company</i>	<i>Others</i>	<i>(Audited)</i>		
			<i>30 September 2011</i>	<i>31 December 2010</i>	<i>30 September 2010</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b>Balances</b>					
Due from banks and other financial institutions	-	173,701	173,701	146,761	157,622
Loans and advances to customers	-	151,090	151,090	100,574	33,000
Investment securities	3,749	37,010	40,759	41,171	44,100
Investment securities managed by a related party	-	5,466	5,466	577	572
Due to banks	-	2,867	2,867	1,461	5,942
Due to other financial institutions	-	31,697	31,697	19,353	31,689
Deposits from customers	6,286	57,509	63,795	13,490	93,889
<b>Commitments</b>					
Letters of credit	-	1,572	1,572	1,539	-
Letters of guarantee	-	7,247	7,247	1,608	2,515

	<i>Parent Company</i>	<i>Others</i>	<i>(Audited)</i>		
			<i>30 September 2011</i>	<i>31 December 2010</i>	<i>30 September 2010</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b>Transactions</b>					
Interest income	27	10,490	10,517	7,108	5,282
Interest expense	406	825	1,231	3,289	2,772
Fee and commission income	112	848	960	348	226
Fee and commission expense	-	196	196	90	90
Dividend income	31	820	851	1,445	867
Other expenses	-	-	-	1,458	837

	<i>No. of Board members / Group executive staff</i>	<i>(Audited)</i>		
		<i>30 September 2011</i>	<i>31 December 2010</i>	<i>30 September 2010</i>
		<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b>Board members</b>				
Loans and advances	1	300	110	185
Deposits from customers	8	1,897	1,584	1,597
<b>Group executive staff</b>				
Loans and advances	16	363	421	437
Deposits from customers	24	1,524	1,124	1,004
Letters of guarantee	2	2	1	1

**Burgan Bank Group****Notes to the Interim Condensed Consolidated Financial Information**

As at 30 September 2011 (Unaudited)

**11. TRANSACTIONS WITH RELATED PARTIES (continued)****Key management compensation**

Remuneration paid or accrued in relation to the Group's "key management" (deemed for this purpose to comprise Directors in relation for their committee service, the Chief Executive Officer and other Senior Officers) was as follows:

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<i>2011</i>	<i>2010</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Short term employee benefits – including salary and bonus	2,219	1,351
Accrual for end of service indemnity	292	433
Accrual for cost of long term incentive rights	234	-
	<u>2,745</u>	<u>1,784</u>

**12. COMMITMENTS AND CONTINGENT LIABILITIES**

	<i>(Audited)</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Acceptances	26,021	15,664	17,578
Letters of credit	278,100	235,058	218,943
Letters of guarantee	530,164	530,255	495,028
Undrawn commitments to extend credit	157,455	182,934	160,156
	<u>991,740</u>	<u>963,911</u>	<u>891,705</u>

**13. DERIVATIVES**

The table below shows the notional amounts of derivatives outstanding as of the reporting date. The notional amount of a derivative's underlying asset, reference rate or index is the basis upon which changes in the value of derivatives are measured.

The net positive (negative) fair value of the derivative instruments as at 30 September 2011 is KD 6 thousand (31 December 2010: KD 20 thousand and 30 September 2010: KD 206 thousand) and is included in the carrying amount of other assets (other liabilities).

	<i>(Audited)</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b>Derivatives held for trading:</b> <i>(non-qualifying hedges)</i>			
Forward swaps / foreign exchange contracts	<u>10,277</u>	<u>2,131</u>	<u>7,741</u>